

Bureau of Land Management, Interior

§3137.28

other tract in the unit, that are located so that you can perform operations and production in an efficient and logical manner; and

(2) Include at least one NPR-A lease.

(b) BLM may limit the size and shape of the unit considering the type, amount and rate of the proposed development and production and the location of the oil or gas.

§3137.23 What must I include in my NPR-A unitization application?

Your unitization application to BLM must include—

(a) The proposed unit agreement;

(b) A map showing the proposed unit area;

(c) A list of committed tracts including, for each tract, the—

(1) Legal land description and acreage;

(2) Names of persons holding record title interest;

(3) Names of persons owning operating rights; and

(4) Name of the unit operator.

(d) You must certify—

(1) That you invited all owners of oil and gas rights (leased or unleased) and lease interests (record title and operating rights) within the external boundary of the unit area described in the application to join the unit;

(2) That there are sufficient tracts committed to the unit agreement to reasonably operate and develop the unit area;

(3) The commitment status of all tracts within the area proposed for unitization; and

(4) That you accept unit obligations under §3137.60 of this subpart.

(e) Evidence of acceptable bonding;

(f) A discussion of reasonably foreseeable and significantly adverse effects on the surface resources of NPR-A and how unit operations may reduce impacts compared to individual lease operations; and

(g) Other documentation BLM may request. BLM may require additional copies of maps, plats, and other similar exhibits.

§3137.24 Why would BLM reject a unit agreement application?

BLM will reject a unit agreement application—

(a) That does not address all mandatory terms, including those required under §3137.21(b) of this subpart;

(b) If the unit operator—

(1) Has an unsatisfactory record of complying with applicable laws, regulations, the terms of any lease or permit, or the requirements of any notice or order; or

(2) Is not qualified to operate within NPR-A under applicable laws and regulations;

(c) That does not conserve natural resources;

(d) That is not in the public interest;

(e) That does not comply with any special conditions in effect for any part of the NPR-A that the unit or any lease subject to the unit would affect; or

(f) That does not comply with the requirements of this subpart.

§3137.25 How will the parties to the unit know if BLM approves the unit agreement?

BLM will notify the unit operator in writing when it approves or disapproves the proposed unit agreement. The unit operator must notify, in writing, all parties to the unit agreement within 30 calendar days after receiving BLM's notice of approval or disapproval.

§3137.26 When is a unit agreement effective?

The unit agreement is effective on the date BLM approves it.

§3137.27 What effect do subsequent contracts or obligations have on the unit agreement?

No subsequent contract or obligation—

(a) Modifies the terms or conditions of the unit agreement; or

(b) Relieves the unit operator of any right or obligation under the unit agreement.

§3137.28 What oil and gas resources of committed tracts does the unit agreement include?

A unit agreement includes all oil and gas resources of committed tracts unless BLM approves unit agreement terms to the contrary pursuant to §3137.50 of this subpart.

DEVELOPMENT

§ 3137.40 What initial development obligations must I define in a unit agreement?

Your unit agreement must define—

- (a) The number of wells you anticipate will be necessary to assess the reservoir adequately;
- (b) A primary target for each well;
- (c) A schedule for starting and completing drilling operations for each well; and
- (d) The time between starting operations on a well to the start of operations on the next well.

§ 3137.41 What continuing development obligations must I define in a unit agreement?

A unit agreement must obligate the operator to a program of exploration and development (see § 3137.71) that, after completion of the initial obligations—

- (a) Meets or exceeds the rate of non-unit operations in the vicinity of the unit; and
- (b) Represents an investment proportionate to the size of the area covered by the unit agreement.

OPTIONAL TERMS

§ 3137.50 What optional terms may I include in a unit agreement?

BLM may approve the following optional terms for a unit agreement if they promote additional development or enhanced production potential—

- (a) Limiting the unit agreement to certain formations and their intervals;
- (b) Multiple unit operators (see § 3137.51 of this subpart);
- (c) Allowing modification of the unit agreement terms if less than 100 percent of the parties to the unit agreement (see § 3137.52 of this subpart) agree to the modification; or
- (d) Other terms that BLM determines will promote the greatest economic recovery of oil and gas consistent with applicable law.

§ 3137.51 Under what conditions does BLM permit multiple unit operators?

BLM permits multiple unit operators only if the unit agreement defines—

- (a) The conditions under which additional unit operators are acceptable;
- (b) The responsibilities of the different operators, including obtaining BLM approvals, reporting, paying Federal royalties and conducting operations;
- (c) Which unit operators are obligated to ensure bond coverage for each NPR-A lease in the unit;
- (d) The consequences if one or more unit operators defaults. For example, if an operator defaults, the unit agreement would list which unit operators would conduct that operator's operations and ensure bonding of those operations; and
- (e) Which unit operator is responsible for unit obligations not specifically assigned in the unit agreement.

§ 3137.52 How may I modify the unit agreement?

(a) You may modify a unit agreement if—

- (1) All current parties to the unit agreement agree to the modification;
- or

- (2) You meet the requirements of the modification provision in the unit agreement. The modification provision must identify which parties, and what percentage of those parties, must consent to each type of modification.

(b) You must submit to BLM an application for modification. The application must include the following—

- (1) The operator must certify that the necessary parties have agreed to the modification; and
- (2) If the unit agreement modification alters the current allocation schedule, you must submit to BLM both a—

- (i) Description of the new allocation methodology; and
- (ii) New allocation schedule.

(c) A modification is not effective unless BLM approves it. After BLM approves the modification, it is effective retroactively to the date you filed a complete application for modification. However, BLM may approve a different effective date if you request it and provide acceptable justification.

(d) BLM will reject modifications that do not comply with BLM regulations or applicable law.